

PETROBRAS INTERNATIONAL FINANCE CO

Form 424B2

December 05, 2011

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The information in this prospectus supplement and the prospectus to which it relates is not complete and may be changed. This prospectus supplement and the prospectus to which it relates are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**Filed Pursuant to Rule 424(B)2
Registration Statement Nos. 333-163665 and 333-163665-01**

PRELIMINARY PROSPECTUS SUPPLEMENT

(Subject to Completion)

Dated December 5, 2011

PROSPECTUS SUPPLEMENT

(To Prospectus dated December 11, 2009)

**Petrobras International Finance Company
Unconditionally guaranteed by
Petróleo Brasileiro S.A. Petrobras
(Brazilian Petroleum Corporation Petrobras)**

£ % Global Notes due 20

The % Global Notes due 20 (the notes) are general, unsecured, unsubordinated obligations of Petrobras International Finance Company, or PifCo, a wholly-owned subsidiary of Petróleo Brasileiro S.A.-Petrobras, or Petrobras. The notes will be unconditionally and irrevocably guaranteed by Petrobras. The notes will mature on , 20 , and will bear interest at the rate of % per annum. Interest on the notes is payable on of each year, beginning on , 2012.

PifCo will pay additional amounts related to the deduction of certain withholding taxes in respect of certain payments on the notes. PifCo may redeem, in whole or in part, the notes at any time by paying the greater of the principal amount of the notes and the make-whole amount, plus accrued interest. The notes will also be redeemable without premium prior to maturity at PifCo's option solely upon the imposition of certain withholding taxes. See Description of the Notes Optional Redemption Redemption for Taxation Reasons.

PifCo has applied to list the notes on the official list of the Luxembourg Stock Exchange and have them admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange. This prospectus supplement and accompanying prospectus dated December 11, 2009 constitute a prospectus for purposes of Luxembourg law dated July 10, 2005 on Prospectuses for Securities.

See **Risk Factors** on page S-14 to read about factors you should consider before buying the notes offered in this prospectus supplement and the accompanying prospectus.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Initial price to the public(1)	%	£
Underwriting discount	%	£
Proceeds, before expenses, to PifCo	%	£

(1) Plus accrued interest from December , 2011, if settlement occurs after that date.

The underwriters expect to deliver the notes in registered global form only and deposit them with a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System and Clearstream Banking, *société anonyme*, on or about December , 2011.

Joint Bookrunners

BB Securities Bradesco BBI Crédit Agricole CIB Deutsche Bank HSBC Santander Global Banking & Markets

Co-managers

Banca IMI Mitsubishi UFJ Securities

December , 2011

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is the prospectus supplement, which describes the specific terms of the notes PifCo is offering and certain other matters relating to PifCo and Petrobras and their financial condition. The second part, the accompanying prospectus, gives more general information about securities that PifCo and Petrobras may offer from time to time. Generally, references to the prospectus mean this prospectus supplement and the accompanying prospectus combined. If the information in this prospectus supplement differs from the information in the accompanying prospectus, the information in this prospectus supplement supersedes the information in the accompanying prospectus.

We are responsible for the information contained and incorporated by reference in this prospectus supplement and in any related free-writing prospectus we prepare or authorize. PifCo and Petrobras have not authorized anyone to give you any other information, and we take no responsibility for any other information that others may give you. Neither PifCo nor Petrobras is making an offer to sell the notes in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus supplement, the accompanying prospectus or any document incorporated by reference is accurate as of any date other than the date of the relevant document.

We have prepared this prospectus supplement for use solely in connection with the proposed offering of the notes, and it may only be used for that purpose.

This prospectus supplement is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the Financial Promotion Order), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as relevant persons). This prospectus supplement is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this prospectus supplement relates is available only to relevant persons and will be engaged in only with relevant persons.

In this prospectus supplement, unless the context otherwise requires or as otherwise indicated, references to Petrobras mean *Petróleo Brasileiro S.A.-Petrobras* and its consolidated subsidiaries taken as a whole, and references to PifCo mean *Petrobras International Finance Company*, a wholly-owned subsidiary of Petrobras, and its consolidated subsidiaries taken as a whole. Terms such as *we*, *us* and *our* generally refer to both Petrobras and PifCo, unless the context requires otherwise or as otherwise indicated.

References herein to *reais* or R\$ are to the lawful currency of Brazil. References herein to U.S. dollars or U.S.\$ are to the lawful currency of the United States. References herein to pounds sterling or £ are to the lawful currency of the United Kingdom.

In connection with the offering of the notes, the underwriters are not acting for anyone other than PifCo and will not be responsible to anyone other than PifCo for providing the protections afforded to their clients for providing advice in relation to the offering.

In connection with the offering of the notes, HSBC Bank plc, the Stabilizing Manager(s), (or persons acting on behalf of the Stabilizing Manager(s)) may over-allot notes or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on their behalf of the Stabilizing Manager(s)) will undertake any stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the notes is made and, if begun, may be ended at any time, but it must end no later than 30 calendar days after the date on which PifCo received the proceeds of the issue, or no later than 60 calendar days after the date of the allotment of the notes, whichever is the earlier.

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FORWARD-LOOKING STATEMENTS

Many statements made or incorporated by reference in this prospectus supplement are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are not based on historical facts and are not assurances of future results. Many of the forward-looking statements contained, or incorporated by reference, in this prospectus supplement may be identified by the use of forward-looking words, such as believe, expect, anticipate, should, planned, estimate and potential, among others. We have made forward-looking statements address, among other things:

our marketing and expansion strategy;

our exploration and production activities, including drilling;

our activities related to refining, import, export, transportation of petroleum, natural gas and oil products, petrochemicals, power generation, biofuels and other sources of renewable energy;

our projected and targeted capital expenditures and other costs, commitments and revenues;

our liquidity and sources of funding;

development of additional revenue sources; and

the impact, including cost, of acquisitions.

Our forward-looking statements are not guarantees of future performance and are subject to assumptions that may prove incorrect and to risks and uncertainties that are difficult to predict. Our actual results could differ materially from those expressed or forecast in any forward-looking statements as a result of a variety of factors. These factors include, among other things:

our ability to obtain financing;

general economic and business conditions, including crude oil and other commodity prices, refining margins and prevailing exchange rates;

our ability to find, acquire or gain access to additional reserves and to develop our current reserves successfully;

global economic conditions;

uncertainties inherent in making estimates of our oil and gas reserves, including recently discovered oil and gas reserves;

competition;

technical difficulties in the operation of our equipment and the provision of our services;

changes in, or failure to comply with, laws or regulations;

receipt of governmental approvals and licenses;

international and Brazilian political, economic and social developments;

natural disasters, accidents, military operations, acts of terrorism or sabotage, wars or embargoes;

the cost and availability of adequate insurance coverage; and

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other factors discussed below under Risk Factors.

For additional information on factors that could cause our actual results to differ from expectations reflected in forward-looking statements, please see Risk Factors in this prospectus supplement and in documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

All forward-looking statements attributed to us or a person acting on our behalf are qualified in their entirety by this cautionary statement. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.

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INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

We are incorporating by reference into this prospectus supplement the following documents that we have filed with the Securities and Exchange Commission (SEC):

PifCo

(1) The combined Petrobras and PifCo Annual Report on Form 20-F for the year ended December 31, 2010, filed with the SEC on May 26, 2011.

(2) The PifCo report on Form 6-K containing financial information for the nine-month period ended September 30, 2011, prepared in accordance with U.S. GAAP, furnished to the SEC on November 22, 2011.

(3) Any future filings of PifCo on Form 20-F made with the SEC after the date of this prospectus supplement and prior to the completion of the offering of the securities offered by this prospectus supplement, and any future reports of PifCo on Form 6-K furnished to the SEC during that period that are identified in those forms as being incorporated into this prospectus supplement or the accompanying prospectus.

Petrobras

(1) The combined Petrobras and PifCo Annual Report on Form 20-F for the year ended December 31, 2010, filed with the SEC on May 26, 2011.

(2) Reports on Form 6-K/A and Form 6-K furnished by Petrobras to the SEC on the dates indicated below, concerning the financial condition and results of operations of Petrobras for the nine-month period ended September 30, 2011:

Report furnished on November 22, 2011, containing financial statements prepared in accordance with U.S. GAAP as of September 30, 2011 and for the nine-month periods ended September 30, 2011 and 2010.

Report furnished on November 22, 2011, containing our release concerning Petrobras earnings and financial condition for the nine months ended September 30, 2011.

(3) Reports on Form 6-K, furnished to the SEC by Petrobras on the dates indicated below, concerning other recent developments in our business:

Report furnished on June 23, 2011, relating to the June 27, 2011 payment of dividends related to the 2011 fiscal year results in the amount of R\$0.12 per common and R\$0.12 per preferred shares.

Report furnished on July 25, 2011, relating to the approval by Petrobras board of directors of an advance payment of interest on capital for the 2011 fiscal year in the amount of R\$2,609 million.

Report furnished on July 25, 2011, relating to Petrobras Business Plan for 2011-2015.

Report furnished on August 1, 2011, relating to the acquisition of Gas Brasileiro Distribuidora S.A. by Petrobras subsidiary Petrobras Gás S.A.

Report furnished on August 24, 2011, relating to the election of a new member to Petrobras board of directors and amendment of Petrobras by-laws as approved in the Extraordinary General Meeting held on August 23, 2011.

Report furnished on August 24, 2011, relating to the August 31, 2011 payment of interest on capital for the 2011 fiscal year in the amount of R\$0.20 per common and R\$0.20 per preferred share (R\$0.40 per ADR).

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Report furnished on September 20, 2011, relating to the operation of the Lula-Mexilhão Gas Pipeline, which connects the Lula field to the Mexilho platform.

Report furnished on October 4, 2011, relating to the resignation of Mr. Fabio Colletti Barbosa from Petrobras board of directors.

Report furnished on October 31, 2011, relating to the election of a new member to Petrobras board of directors.

Report furnished on October 31, 2011, relating to the November 30, 2011 payment of interest on capital for the 2011 fiscal year in the amount of R\$0.20 per common and R\$0.20 per preferred share (R\$0.40 per ADR).

(4) Any future filings of Petrobras on Form 20-F made with the SEC after the date of this prospectus supplement and prior to the completion of the offering of the securities offered by this prospectus supplement, and any future reports of Petrobras on Form 6-K furnished to the SEC during that period that are identified in those forms as being incorporated into this prospectus supplement or the accompanying prospectus.

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WHERE YOU CAN FIND MORE INFORMATION

Information that we file with or furnish to the SEC after the date of this prospectus supplement, and that is incorporated by reference herein, will automatically update and supersede the information in this prospectus supplement. You should review the SEC filings and reports that we incorporate by reference to determine if any of the statements in this prospectus supplement, the accompanying prospectus or in any documents previously incorporated by reference have been modified or superseded.

Documents incorporated by reference in this prospectus supplement are available without charge. Each person to whom this prospectus supplement and the accompanying prospectus are delivered may obtain documents incorporated by reference herein by requesting them either in writing or orally, by telephone or by e-mail from us at the following address:

Investor Relations Department
Petróleo Brasileiro S.A.-Petrobras
Avenida República do Chile, 65 22nd Floor
20031-912 Rio de Janeiro RJ, Brazil
Telephone: (55-21) 3224-1510/3224-9947
Email: petroinvest@petrobras.com.br

In addition, you may review copies of the materials we file with or furnish to the SEC without charge, and copies of all or any portion of such materials can be obtained at the Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. We also file materials with the SEC electronically. The SEC maintains an Internet site that contains materials that we file electronically with the SEC. The address of the SEC's website is <http://www.sec.gov>.

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This summary highlights key information described in greater detail elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. This summary is not complete and does not contain all of the information you should consider before investing in the notes. You should read carefully the entire prospectus supplement, the accompanying prospectus including Risk Factors and the documents incorporated by reference herein, which are described under Incorporation of Certain Documents by Reference and Where You Can Find More Information.

In this prospectus supplement, unless the context otherwise requires or as otherwise indicated, references to Petrobras mean Petróleo Brasileiro S.A.-Petrobras and its consolidated subsidiaries taken as a whole, and references to PifCo mean Petrobras International Finance Company, a wholly-owned subsidiary of Petrobras, and its consolidated subsidiaries taken as a whole. Terms such as we, us and our generally refer to both Petrobras and PifCo, unless the context requires otherwise or as otherwise indicated.

PifCo

PifCo is a wholly-owned subsidiary of Petrobras, incorporated under the laws of the Cayman Islands in 1997. PifCo has in the past engaged in both commercial operations and in financing activities for Petrobras. However, PifCo has recently ceased its commercial operations altogether and has become a finance subsidiary functioning as a vehicle for Petrobras to raise funds for Petrobras through the issuance of debt securities in the international capital markets, among other means.

As part of its transition into a finance subsidiary of Petrobras, on August 12, 2011, PifCo transferred to Petrobras International Braspetro B.V. PIB B.V., also a subsidiary of Petrobras, two of its wholly-owned subsidiaries, Petrobras Europe Limited, or PEL, a United Kingdom company that acts as an agent and advisor in connection with Petrobras activities in Europe, the Middle East, the Far East and Africa and Petrobras Singapore Private Limited, or PSPL, a company incorporated in Singapore to trade crude oil and oil products in connection with our trading activities in Asia. In addition, on September 1, 2011, PifCo terminated the financing program carried out by its subsidiary Petrobras Finance Limited, or PFL, a Cayman Islands company that carries out a financing program supported by future sales of fuel oil. PifCo expects to continue its insurance-related activities through its wholly-owned subsidiary Bear Insurance Company, or BEAR, a Bermuda company that contracts insurance for Petrobras and its subsidiaries. Petrobras will continue to support PifCo's debt obligations through unconditional and irrevocable guaranties of payment.

PifCo's principal executive office is located at Harbour Place, 103 South Church Street, 4th Floor P.O. Box 1034GT-BWI, George Town, Grand Cayman, Cayman Islands, and its telephone number is (55-21) 3487-2375.

Petrobras

Petrobras is one of the world's largest integrated oil and gas companies, engaging in a broad range of oil and gas activities. Petrobras is a *sociedade de economia mista*, organized and existing under the laws of Brazil. For the year ended December 31, 2010, and the nine-month period ended September 30, 2011, Petrobras had sales of U.S.\$150.9 billion and U.S.\$138.0 billion, net operating revenues of U.S.\$120.1 billion and U.S.\$109.8 billion and net income of U.S.\$19.2 billion and U.S.\$17.0 billion, respectively. Petrobras engages in a broad range of activities, which cover the following segments of its operations:

Exploration and Production. This is our principal business segment, and encompasses oil and natural gas exploration, development and production activities in Brazil, sales and transfers of crude oil in domestic and foreign markets, transfers of natural gas to the Gas and Power segment and sales of oil products produced at natural gas processing plants. According to the National Petroleum, Natural Gas and Biofuels Agency, or ANP, we were responsible for approximately 90.6% of Brazil's total production of oil and natural gas as of September 30, 2011.

Refining, Transportation and Marketing. This segment comprises Petrobras' downstream activities in Brazil, including refining, logistics, transportation, export and purchase of crude oil, as well as the purchase and sale of oil products and ethanol. Additionally, this segment includes the petrochemical division, which includes investments in domestic petrochemical companies. As of September 30, 2011, we operated 92% of Brazil's

total refining capacity, according to the ANP.

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Gas and Power. This segment consists primarily of the purchase, sale and transportation and distribution of natural gas produced in or imported into Brazil. This segment also includes Petrobras participation in domestic natural gas transportation, natural gas distribution, thermoelectric power generation and two domestic fertilizer plants. The Gas and Power segment has included results from our fertilizer operations since January 1, 2010. In prior years, the results from our fertilizer operations were included in our Refining, Transportation and Marketing segment.

Distribution. This segment encompasses the oil product and ethanol distribution activities conducted by Petrobras majority owned subsidiary, Petrobras Distribuidora S.A. BR (Petrobras Distribuidora), in Brazil. Petrobras Distribuidora is the largest oil products distributor in Brazil, with a market share of 38.8% and 39.1%, in 2010 and September 30, 2011, respectively, according to the ANP. As of September 30, 2011, Petrobras Distribuidora had approximately 7,435 service stations in Brazil.

International. This segment comprises Petrobras international activities conducted in 25 countries outside Brazil as of September 30, 2011, which include exploration and production, refining, transportation and marketing, distribution and gas and power.

Corporate. This segment includes activities not attributable to other segments, including corporate financial management, central administrative overhead and actuarial expenses related to Petrobras pension and health care plans for inactive participants. Our Corporate segment also includes our bio-renewables operations, including the results of our subsidiary Petrobras Biocombustível S.A.

Petrobras principal executive office is located at Avenida República do Chile, 65 20031-912 - Rio de Janeiro RJ, Brazil, and its telephone number is (55-21) 3224-4477.

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The Offering

Issuer	Petrobras International Finance Company, or PifCo.
The Notes	£ aggregate principal amount of % Global Notes due 20 , or the notes.
Issue Price	% of the aggregate principal amount.
Closing Date	December , 2011
Maturity Date	, 20 .
Interest	The notes will bear interest from December , 2011, the date of original issuance of the notes, at the rate of % per annum, payable annually in arrears on each interest payment date.
Interest Payment Dates	of each year, commencing on , 2012.
Currencies of Payment	All payments of principal of and interest on the notes, including any payments made upon any redemption of the notes, will be made in pounds sterling.
Denominations	PifCo will issue the notes only in denominations of £100,000 and integral multiples of £1,000 in excess thereof.
Trustee, Registrar and Paying Agent	The Bank of New York Mellon.
Principal Paying Agent	The Bank of New York Mellon, London Branch.
Luxembourg Paying Agent	The Bank of New York Mellon (Luxembourg) S.A.
Codes	
(a) Common Code	
(b) ISIN	
Use of Proceeds	PifCo intends to use the net proceeds from the sale of the notes for general corporate purposes and to finance Petrobras planned capital expenditure under its 2011-2015 Business Plan while maintaining an adequate capital structure and staying within Petrobras targeted financial leverage ratios in accordance with its 2011-2015 Business Plan. See Use of Proceeds.
Indenture	The notes offered hereby will be issued pursuant to an indenture between PifCo and The Bank of New York Mellon, a New York banking corporation, as trustee, dated as of December 15, 2006, as supplemented by the tenth supplemental indenture, dated as of the closing date, among PifCo, Petrobras, The Bank of New York Mellon, as trustee, The Bank of New York Mellon, London Branch, as principal paying agent, and The Bank of

New York Mellon (Luxembourg) S.A., as Luxembourg paying agent. When we refer to the indenture in this prospectus supplement, we are referring to the indenture as supplemented by the tenth supplemental indenture. See Description of the Notes.

Guaranty

The notes will be unconditionally guaranteed by Petrobras under the guaranty. See Description of the Guaranty.

Ranking

The notes constitute general senior unsecured and unsubordinated obligations of PifCo

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which will at all times rank *pari passu* among themselves and with all other senior unsecured obligations of PifCo that are not, by their terms, expressly subordinated in right of payment to the notes.

The obligations of Petrobras under the guaranty constitute general senior unsecured obligations of Petrobras which will at all times rank *pari passu* with all other senior unsecured obligations of Petrobras that are not, by their terms, expressly subordinated in right of payment to Petrobras' obligations under the guaranty.

Optional Redemption

PifCo may redeem the notes at any time in whole or in part by paying the greater of the principal amount of the notes and the make-whole amount, plus accrued interest, as described under Description of the Notes Optional Redemption.

Early Redemption at PifCo's
Option Solely for Tax Reasons

The notes will be redeemable in whole at their principal amount, plus accrued and unpaid interest, if any, to the relevant date of redemption, at PifCo's option at any time only in the event of certain changes affecting taxation. See Description of the Notes Optional Redemption-Redemption for Taxation Reasons.

Covenants
(a) Pifco

The terms of the indenture will require PifCo, among other things, to:

- pay all amounts owed by it under the indenture and the notes when such amounts are due;
- maintain an office or agent in New York for the purpose of service of process and maintain a paying agent located in the United States;
- ensure that the notes continue to be senior obligations of PifCo;
- use proceeds from the issuance of the notes for specified purposes;
- give notice to the trustee of any default or event of default under the indenture;
- provide certain financial statements to the trustee;
- take actions to maintain the trustee's or the holders' rights under the relevant transaction documents; and
- replace the trustee upon any resignation or removal of the trustee.

In addition, the terms of the indenture will restrict the ability of PifCo and its subsidiaries, among other things, to:

- undertake certain mergers, consolidations or similar transactions; and
- create certain liens on its assets or pledge its assets.

PifCo's covenants are subject to a number of important qualifications and exceptions. See Description of the Notes - Covenants

(b) Petrobras

The terms of the guaranty will require Petrobras, among other things, to:
pay all amounts owed by it in accordance with the terms of the guaranty and the indenture;

maintain an office or agent in New York for the purpose of service of process;

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ensure that its obligations under the guaranty will continue to be senior obligations of Petrobras;

give notice to the trustee of any default or event of default under the indenture; and

provide certain financial statements to the trustee.

In addition, the terms of the guaranty will restrict the ability of Petrobras and its subsidiaries, among other things, to:

undertake certain mergers, consolidations or similar transactions; and

create certain liens on its assets or pledge its assets.

Petrobras' covenants are subject to a number of important qualifications and exceptions. See Description of the Guaranty Covenants.

Events of Default

The following events of default will be events of default with respect to the notes:

failure to pay principal on the notes within three calendar days of its due date;

failure to pay interest on the notes within 30 calendar days of any interest payment date;

breach by PifCo of a covenant or agreement in the indenture or by Petrobras of a covenant or agreement in the guaranty if not remedied within 60 calendar days;

acceleration of a payment on the indebtedness of PifCo, Petrobras or any material subsidiary that equals or exceeds U.S.\$150 million;

a final judgment against PifCo, Petrobras or any material subsidiary that equals or exceeds U.S.\$150 million;

certain events of bankruptcy, liquidation or insolvency of PifCo, Petrobras or any material subsidiary;

certain events relating to the unenforceability of the notes, the indenture or the guaranty of the notes against PifCo or Petrobras; and

Petrobras ceasing to own at least 51% of PifCo's outstanding voting shares.

The events of default are subject to a number of important qualifications and limitations. See Description of the Notes Events of Default.

Further Issuances

PifCo reserves the right, from time to time, without the consent of the holders of the notes, to issue additional notes on terms and conditions identical to those of the notes, which additional notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the notes offered hereby. PifCo may also issue other securities under the indenture which have different terms and conditions from the notes. See Description of the Notes.

Modification of Notes, Indenture
and Guaranty

The terms of the indenture may be modified by PifCo and the trustee, and the terms of the guaranty may be modified by Petrobras and the trustee, in some cases without the consent of the holders of the notes. See Description of Debt Securities Special Situations Modification and Waiver in the accompanying prospectus.

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Clearance and Settlement	The notes will be issued as global notes registered in the name of a common depository for Euroclear System and Clearstream Banking, <i>société anonyme</i> , for the accounts of its direct and indirect participants. Beneficial interests in notes held in book-entry form will not be entitled to receive physical delivery of certificated notes except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see Clearance and Settlement.
Withholding Taxes; Additional Amounts	Any and all payments of principal, premium, if any, and interest in respect of the notes will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments, levies, imposts or charges whatsoever imposed, levied, collected, withheld or assessed by Brazil, the jurisdiction of PifCo's incorporation or any other jurisdiction in which PifCo appoints a paying agent under the indenture, or any political subdivision or any taxing authority thereof or therein, unless such withholding or deduction is required by law. If PifCo is required by law to make such withholding or deduction, it will pay such additional amounts as are necessary to ensure that the holders receive the same amount as they would have received without such withholding or deduction, subject to certain exceptions. In the event Petrobras is obligated to make payments to the holders under the guaranty, Petrobras will pay such additional amounts as are necessary to ensure that the holders receive the same amount as they would have received without such withholding or deduction, subject to certain exceptions. See Description of the Notes Covenants Additional Amounts.
Governing Law	The indenture, the notes, and the guaranty will be governed by, and construed in accordance with, the laws of the State of New York.
Listing	PifCo has applied to list the notes on the official list of the Luxembourg Stock Exchange and have them admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange.
Risk Factors	You should carefully consider the risk factors discussed beginning on page S-14 and the other information included or incorporated by reference in this prospectus supplement, before purchasing any notes.

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RECENT DEVELOPMENTS

For a discussion of our results of operations for the nine months ended September 30, 2011 and recent material developments, see our report on Form 6-K furnished to the U.S. Securities and Exchange Commission on November 22, 2011, which is incorporated by reference in this prospectus supplement and other reports on Form 6-K listed under Incorporation of Certain Documents by Reference . For a discussion of Petrobras' results of operations for the nine months ended September 30, 2011 and recent material developments, see Petrobras' reports on Form 6-K, furnished to the U.S. Securities and Exchange Commission on November 22, 2011, which are incorporated by reference in this prospectus supplement and other reports on Form 6-K listed under Incorporation of Certain Documents by Reference .

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RISK FACTORS

Our annual report on Form 20-F for the year ended December 31, 2010, which is incorporated by reference herein, includes extensive risk factors relating to our business and to Brazil. You should carefully consider those risks and the risks described below, as well as the other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus, before making a decision to invest in the notes.

Risks Relating to PifCo's Debt Securities

The market for the notes may not be liquid.

The notes are an issuance of new securities with no established trading market. We have applied to list the notes on the official list of the Luxembourg Stock Exchange and have them admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange. We can make no assurance as to the liquidity of or trading markets for the notes offered by this prospectus supplement. We cannot guarantee that holders will be able to sell their notes in the future. If a market for the notes does not develop, holders may not be able to resell the notes for an extended period of time, if at all.

Restrictions on the movement of capital out of Brazil may impair your ability to receive payments on the guaranty and restrict Petrobras' ability to make payments to PifCo in pounds sterling.

The Brazilian government may impose temporary restrictions on the conversion of Brazilian currency into foreign currencies and on the remittance to foreign investors of proceeds from their investments in Brazil. Brazilian law permits the Brazilian government to impose these restrictions whenever there is a serious imbalance in Brazil's balance of payments or there are reasons to foresee a serious imbalance.

The Brazilian government imposed remittance restrictions for approximately six months in 1990. The Brazilian government could decide to take similar measures in the future. Similar restrictions, if imposed, could impair or prevent the conversion of payments under the guaranty from reais into pounds sterling, and the remittance of pounds sterling abroad. In the case that the PifCo noteholders receive payments in reais corresponding to the equivalent pounds sterling amounts due under PifCo's notes, it may not be possible to convert these amounts into pounds sterling. These restrictions, if imposed, could also prevent Petrobras from making funds available to PifCo in pounds sterling abroad, in which case PifCo may not have sufficient pounds sterling funds available to make payment on its debt obligations.

In addition, payments by Petrobras under the guaranty in connection with PifCo's notes do not currently require approval by or registration with the Central Bank of Brazil. The Central Bank of Brazil may nonetheless impose prior approval requirements on the remittance of pounds sterling abroad, which could cause delays in such payments.

Petrobras would be required to pay judgments of Brazilian courts enforcing its obligations under the guaranty only in reais.

If proceedings were brought in Brazil seeking to enforce Petrobras' obligations in respect of the guaranty, Petrobras would be required to discharge its obligations only in *reais*. Under Brazilian exchange control regulations, an obligation to pay amounts denominated in a currency other than *reais*, which is payable in Brazil pursuant to a decision of a Brazilian court, may be satisfied in *reais* at the rate of exchange, as determined by the Central Bank of Brazil, in effect on the date of payment.

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A finding that Petrobras is subject to U.S. bankruptcy laws and that the guaranty executed by it was a fraudulent conveyance could result in the relevant PifCo holders losing their legal claim against Petrobras.

PifCo's obligation to make payments on the notes is guaranteed by Petrobras. Petrobras has been advised by its external U.S. counsel that the guaranty is valid and enforceable in accordance with the laws of the State of New York.

In addition, Petrobras has been advised by its general counsel that the laws of Brazil do not prevent the guaranty from being valid, binding and enforceable against Petrobras in accordance with their terms. In the event that U.S. federal fraudulent conveyance or similar laws are applied to a guaranty, and Petrobras, at the time it issued the guaranty:

was or is insolvent or rendered insolvent by reason of its entry into the guaranty;

was or is engaged in business or transactions for which the assets remaining with it constituted unreasonably small capital; or

intended to incur or incurred, or believed or believes that it would incur, debts beyond its ability to pay such debts as they mature; and

in each case, intended to receive or received less than reasonably equivalent value or fair consideration therefor,

then Petrobras' obligations under the guaranty could be avoided, or claims with respect to the guaranty could be subordinated to the claims of other creditors. Among other things, a legal challenge to the guaranty on fraudulent conveyance grounds may focus on the benefits, if any, realized by Petrobras as a result of PifCo's issuance of the notes supported by such guaranty. To the extent that the guaranty is held to be a fraudulent conveyance or unenforceable for any other reason, the holders of the PifCo notes supported by the guaranty would not have a claim against Petrobras under the guaranty and will solely have a claim against PifCo. Petrobras cannot assure you that, after providing for all prior claims, there will be sufficient assets to satisfy the claims of the PifCo holders relating to any avoided portion of the guaranty.

Holders in some jurisdictions may not receive payment of gross-up amounts for withholding in compliance with the EU Directive on taxation of savings income.

Austria and Luxembourg have opted out of certain provisions of an EU Directive regarding taxation of savings income and are instead, during a transitional period, applying a withholding tax on payments of interest, at a rate of up to 35%. Neither we nor the paying agent (nor any other person) would be required to pay additional amounts in respect of the notes as a result of the imposition of withholding tax by any member state of the European Union or another country or territory which has opted for a withholding system. For more information, see Description of the Notes Additional Amounts in the accompanying prospectus and under Taxation European Union Savings Directive. An investor should consult a tax adviser to determine the tax consequences of holding the notes for such investor.

A holder of a principal amount of notes of less than £100,000 will be unable to transfer such stub amount.

The notes are issued and may be transferred only in principal amounts of £100,000 and integral multiples of £1,000 in excess thereof. As a result, it is possible that the notes may be traded in amounts in excess of £100,000 that are not integral multiples of £100,000 and a holder may hold a principal amount of notes of less than the minimum £100,000. The holder of a stub amount of notes of less than £100,000 will be unable to transfer such stub amount so long as the notes are held in Euroclear or Clearstream and may not receive a definitive note in respect of such holding should notes be issued in certificated form.

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USE OF PROCEEDS

The net proceeds from the sale of the notes, after payment of underwriting discounts and estimated transaction expenses, are expected to be approximately £ million. PifCo intends to use the net proceeds from the sale of the notes for general corporate purposes and to finance Petrobras' planned capital expenditure under its 2011-2015 Business Plan while maintaining an adequate capital structure and staying within Petrobras' targeted financial leverage ratios in accordance with its 2011-2015 Business Plan.

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SELECTED FINANCIAL AND OPERATING INFORMATION

This prospectus supplement incorporates by reference the audited consolidated financial statements of PifCo and Petrobras as of and for the years ended December 31, 2010, 2009 and 2008. PifCo's and Petrobras' audited consolidated financial statements have been prepared in accordance with U.S. GAAP.

This prospectus supplement incorporates by reference the unaudited consolidated financial statements of PifCo and Petrobras as of and for the nine-month period ended September 30, 2011 and September 30, 2010 prepared in accordance with U.S. GAAP.

PifCo

The selected financial and operating information presented in the tables below have been derived from our audited consolidated financial statements, which were audited by KPMG Auditores Independentes for the years ended December 31, 2010, 2009 and 2008. The data at September 30, 2011 and 2010 and for the nine months ended September 30, 2011 and 2010 have been derived from our unaudited interim financial statements, incorporated by reference into this prospectus supplement, which in the opinion of management, reflect all adjustments which are of a normal recurring nature necessary for a fair presentation of the results for such periods. The results of operations for the nine months ended September 30, 2011 are not necessarily indicative of the operating results to be expected for the entire year. The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, PifCo's audited and unaudited consolidated financial statements and the accompanying notes incorporated by reference in this prospectus supplement.

Balance Sheet Data

As of December 31,